A resilient Spanish acquisition

Unico, Spain's most expensive wine, comes with quality and cult status yet, as MARK LANE reveals, these attributes may not be enough to turn Vega Sicilia's top drop into a top investment

The Ribera del Duero is a suitably dramatic place for the temperamental beast that is Unico – Spain's famous and most expensive wine. It has not had a smooth ride to fame: different masters, variable winemaking practices, and inconsistent results gave Vega Sicilia both fans and critics. However, underlying quality shone through and history has seen the estate's top wine become a firm favourite in many a serious cellar.

Quality and small supply, if not historic consistency, paired with high demand, has established Unico as a highly desirable commodity that's often traded at auction. Its 'beyond cult' status places it in a Spanish class of its own. Rare, fine Unicos always seem to find a home, seemingly whatever the market. But is Unico an investment wine or a wine of the heart?

Demand, reputation, quality, fame and the ability to age for decades surely give it investment potential. A study of recent years, through economic boom to bust, has seen Unicos of the finest vintages and the highest provenance demonstrate remarkable resilience against economic uncertainty, especially for a wine outside the 'classic' club. The past four or five years, with one or two exceptions, has seen it steer a steady course in stormy seas. This is a wine with a loyal collector following; one with strength and depth in resource. Vega is no flash in the pan – its reputation is here for the long haul as are the well-cellared wines themselves.

Nevertheless, looking from the release prices to current values, we can see the investment returns are simply not in the same league as those from across the Gallic border. While it is possible – with luck and fine timing – to play the market to advantage, this wine does not fall into a speculative class. It seems that those who know, understand and collect Vega, realise its true value in the market. Returns are modest, and prices for most of the vintages have been easy to place in a quality hierarchy. However, we can see that influences such as rarity and Robert Parker's views can indeed affect the value of these wines significantly.

Out of all the vintages, 1968 and 1970 – the latter of which was released in 1995 to a hugely hyped market – are probably the most keenly sought. It has been these two wines that have also garnered most praise from Robert Parker (and subsequently are the most expensive). While Unico consistently scores between 90 and 100 in Parker points, Jasper Morris MW of Morris & Verdin, the UK importer of Unico, states that this 'supports the pricing but does not usually change it dramatically upwards (1970 excepted)'. But 95+ Parker points is reflected in a significant hike in values (see bottom table).

Unico is a paradox – it offers so much latent potential as an investment wine but is bought more by consumer collectors than investors. For unfathomable reasons, this magical wine has found a niche beyond the speculative circle.

Steady: over the past five years, the best examples of Unico have, with a couple of exceptions, shown remarkable resilience against economic uncertainty

MARK LANE is an International Wine Challenge superjuror and has worked for The Auction Channel, News International and Sotheby's Institute for Fine and Decorative Art.

GRAPH DATA: courtesy of Morris & Verdin, Sotheby's, *Wine Advocate*

Year	Current price per case	Parker score
1962	**£1,800**	**95**
1965	£1,380	86
1968	**£4,200**	**98**
1969	£1,560	85
1970	**£3,300**	**96**
1981	**£1,800**	**95**
1983	£1,200	93
1989	£1,248	94
1990	£1,260	94

bold indicates top vintages

Vintage	Release year	Opening price per case	Current price per case	Parker score	Year of Parker review
1970	1995	£790	£3,300	96	1995
1981	1998	£750	£1,800	95	1998
1989	2003	£1,200	£1,250	94	2003

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Bordeaux 2000

In this month's foray into the world of fine wine investments, MARK LANE scrutinises Bordeaux's millennium vintage, discussing its performance so far and assessing future prospects

The 2000 vintage continues to court controversy – fans say 'classic', critics say 'classically over-optimistic'. The vintage is now reaching the auction scene and, at the risk of pouring more oil on troubled waters, it seems a good time to ask: why buy?

Pros: An excellent year in qualitative terms, top-performing estates and millennium magic should make these wines a 'sure bet'. There should always be an underlying value for them, possibly with a big premium attached. In terms of fashionable cachet it could be seen as completing the 1900-1945-2000 trio.

Cons: Low risk and high returns is the investment Holy Grail. Many see 2000 as an excellent, but not truly great, vintage. This, along with the very high opening prices, mean that significant gains from buying now may be hard to realise.

This vintage saw the recognition by the Bordelais of the significance the millennium label would bring to the party, drawing demand from every quarter. Initial prices were set high to retain a larger share of this value, but this may have undermined its investment potential, inadvertently channeling people to look at other vintages, inflating the prices of these alternatives. It is easy to see why some say the 2000 vintage has reached price maturity before reaching physical maturity.

The table shows the prices of some top wines from the 2000, 1990 and 1982 vintages and the scores awarded by the key US critic, Robert Parker in his publication, *The Wine Advocate*. The 2000 section also plots the evolution of the wine's *en primeur* value both before and after Parker ratings in February 2002 and April 2003.

Examination sheds light on the tenet of 2000: high opening prices, a general rise between 2001 and 2003, and the proximity of these wines to their more mature counterparts in qualitative and quantitative terms. Higher opening prices have backed the view that they will appreciate less before their level is found. Looking at scores and prices, many of these wines are already finding this parity in the vintage pecking order. Critics would say the most dramatic increases have been restricted to the pre-release years – some good returns have been made for those lucky enough to gain initial allocations. Immediate pre-and-post Parker prices in 2002 saw many price hikes that could be partly attributed to uprating by Parker, allied to restricted supply or other market forces.

Surprisingly, some of the biggest gains did not come from the usual suspects, suggesting that these wines may have been first priced on future values. The star performers have been Lafleur, Leoville-Barton and Gruaud Larose (100%+ increases). While most seem to have found parity with the other vintages, the Lynch-Bages and Lafleur may still have a margin to close.

In the overall market, these wines should not be seen as overpriced but having met money before maturity. But this means it may be left to fickle fashion and the 2000 cachet to decide if these wines outperform the market in the long-term.

• **Early auction prices – update:** June saw several wines hit the auctions for the first time. Prices varied but in a strong upward direction. But early days and small trading volume means it is too soon to assume that this will be the general trend. June saw Mouton cases selling for £3,700, Latour £3,000-4,000 and the chi-chi Cheval Blanc at £3,300-4,500 (all excluding premiums).

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	2000								1982		1990	
	Parker April 01	(£) May 01	(£) Jan 02	Parker Feb 02	(£) Mar 02	Parker April 03	(£) June 03	% rise 01-03	(£)*	Parker**	(£)*	Parker**
Pétrus	**92-94**	6,000	–	**96-99**	–	**100**	10,000	67	12,000	**100**	9,000	**100**
Lafleur	**93-95**	2,200	2,500	**96-98**	4,000	**100**	5,000	127	6,800	**98**	4,250	**97**
Ausone	**96-98**	2,500	3,000	**96-100**	4,000	**100**	4,200	68	2,600	**93**	1,300	**92**
Margaux	**94-96**	1,950	2,400	**96-99**	2,800	**100**	3,000	54	2,800	**94**	2,700	**100**
Lafite	**94-96**	1,950	2,300	**96-100**	2,550	**100**	2,850	46	3,250	**100**	1,500	**92**
Mission Haut-Brion	**98-100**	1,500	2,250	**99-100**	2,500	**100**	2,500	67	2,000	**99**	950	**94**
Pavie	**95-96**	1,250	1,280	**96-98**	1,600	**100**	1,600	28	550	**91**	425	**92**
Léoville Las Cases	**94-96**	900	950	**93-95**	1,200	**99**	1,300	44	1,350	**100**	850	**96**
Le Pin	**90-92**	6,000	–	**96-98**	–	**98**	10,000	67	13,000	**99**	7,650	**98**
Cheval Blanc	**99-100**	3,200	3,650	**98-100**	3,650	**98**	3,650	14	3,825	**99**	3,150	**98**
Latour	**96-100**	1,950	2,600	**96-99**	2,800	**98**	3,000	54	3,400	**100**	2,500	**96**
Haut-Brion	**96-98**	1,950	2,300	**96-98**	2,500	**98**	2,500	28	1,700	**94**	1,600	**96**
Mouton	**96-98**	1,950	2,150	**96-98**	2,500	**97**	2,500	28	3,150	**100**	850	**87**
Pichon-Lalande	**95-97**	500	800	**96-98**	880	**97**	880	76	1,550	**100**	510	**79**
Léoville-Barton	**96-99**	300	700	**95-97**	750	**96**	825	175	550	**92**	510	**92**
Lynch-Bages	**94-96**	395	520	**93-96**	580	**95**	620	57	1,020	**94**	765	**94**
Gruaud-Larose	**93-95**	250	480	**93-95**	500	**94**	500	100	810	**96**	450	**93**

2000 source: *The Wine Advocate*, Farr Vintners; 1982 & 1990 source: Sotheby's, Butterfield's, Christie's, Acker Merrall & Condit; *excludes auction premium; ** latest scores

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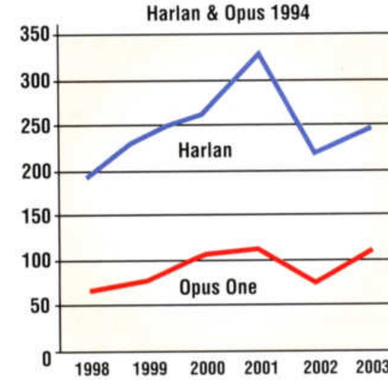
Cultivating a classic

Like fads and fashion, cult wines come and go. But some can transcend being merely one-hit wonders and become cult classics. MARK LANE looks to California, the birthplace of the term, and charts the fortunes of Opus One and Harlan Estate



Average auction prices at Sotheby's North American auctions. 1994 release prices: Opus $50; Harlan $100

In a world driven by money, fad and exclusivity, there will always be cult wine. The term cult wine may have been coined in California but the concept has spread across the globe. Small production, restricted distribution, sky-high expectation and lofty release prices are elements the cults share with other more historic classics. The big difference from the Old-World-Old-Guard, however, is track-record, ageability and its inextricable link to fickle fashion. From an investment perspective such risk factors must be accounted for – cult today, gone tomorrow.

Cult wines have elicited praise and damnation from the press and public since the 1990s but the idea of the cult can be traced back to the '60s (Ridge, Paul Draper) and beyond. Looking across the years, one can see the rise and fall of cult wines. Even today, with the many wannabes in the ultra-premium category calling out to be crowned, it is still possible to spot those who may eventually transcend fashion and make the leap to cult classic – to become an established point on a map of the future first growths of California.

But cult classic is no longer cult – it is a contradiction. Cults cannot be classics, can they? Opus One was once seen as a cult wine: its first vintage in 1979 established itself and California's ultra-premium wine category at $50 to $125 a bottle. Production was small (2,000 cases), expectation huge and, at the first Napa Valley auction, its inaugural case sold for $24,000. It was all the press wanted to hear. The years have waxed and waned, fashion moved on. But Opus is still with us, its track record and ageability proven. Production has risen to 30,000 cases, sharing less with cult than with *cru classé*.

Newcomers are aplenty. Harlan Estate is one of the current darlings. It adheres to everything cult stands for: small production (1,500 cases), exclusive mailing lists and high release prices. Harlan is a hot ticket at auction, and its fortune had it walking arm-in-arm with the growing bullishness of '90s boom America. But will it make the transition from cult to cult classic? Yes, I think it will. History tells us it will fall out of fashion – this is the nature of the cult – but Harlan is already planning for the future. Production increases (6,000 cases), absolute dedication by a loyal winemaker (Bob Levy) and perfectionism allied to business acumen from owner Bob Harlan will establish it for the long term – much like Opus. Although it has not been around for long, it has established a consistency of quality over a dozen years that demands envy.

Looking at cult wines in investment terms is problematic. Fashion and supply create high demand curves but aspirational pricing upon release undermines their investment potential. A commonly cited investment paradigm is: get in early, get out early or get in early and prepare for the long haul. However, the long-term route has to factor in these wines not making the distance in reputation or ageability. Cult wines are speculative by nature – auction to auction their prices can swing alarmingly – giving opportunities and creating risk in equal measure. But looking at the current returns on investment it could be argued that there are better places to put your money. A better bet might be to invest in the winery businesses of tomorrow's cult classics.

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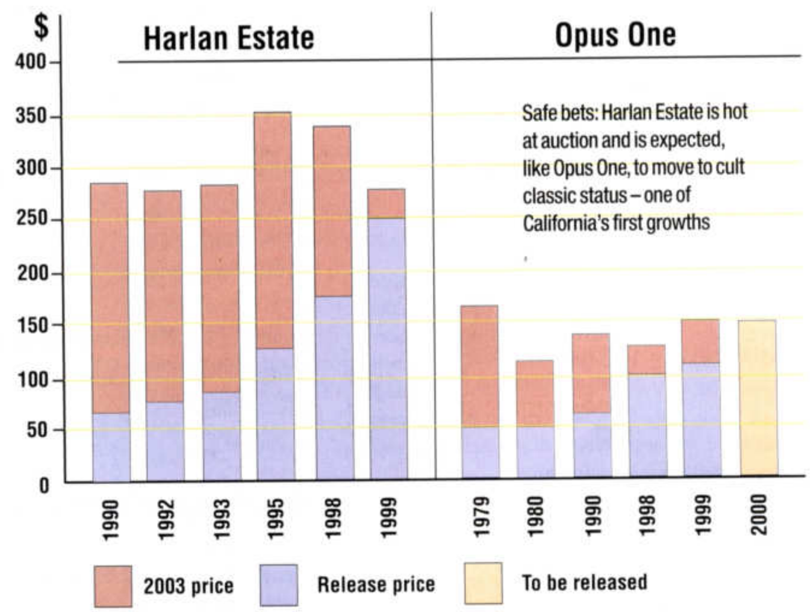


Safe bets: Harlan Estate is hot at auction and is expected, like Opus One, to move to cult classic status – one of California's first growths

GRAPHS: data courtesy of Sotheby's New York

Grange: a true blue-chip Aussie

Following the release of the 1998 vintage and an internet Grange sale that far exceeded expectations, MARK LANE talks to Andrew Caillard MW, the director of Langton's auction house in Sydney – the world's most significant auctioneer of this iconic Australian wine

For a wine that is credited with putting Australia on the world wine map, Penfolds Grange had an inauspicious beginning. Max Schubert's first vintages of Grange were met with outright hostility by the Australian wine trade, so much so that in 1957 Penfolds' management ordered Schubert to stop production. Far from stop, Schubert made Grange in 1957, '58 and '59 in secret, and those wines today are collectors' items. By 1960, however, a boardroom tasting of the first vintages convinced the directors that the wine had merit, and production officially resumed in 1960.

In 1962, the same wine trade that snubbed the 1955 vintage made it the most-awarded wine ever in Australia, vindicating Schubert and changing the course of Australia's wine history. Schubert's marriage of Shiraz and American oak was adopted throughout Australia.

Since such beginnings, Grange has grown to be *the* Australian top wine.

What has been the best performing/most collectable Grange?

'The 1950s represent the best performance for Penfolds Grange. In the early, difficult years of Grange – before it won public and trade approval – many bottles were given away, such as the 'secret Granges of 1956-59' or sold for as low as AU$1.50. Per bottle values now range from about AU$2,500 (£1,000) for the 1955 vintage up to AU$50,000 (£20,500) for the 1951 vintage. 1951 was an experimental wine, largely given away, and it now represents a good investment. The value of this wine is in what it historically represents rather than the wine itself; it is an amazingly significant milestone in Australian wine. Although the market is very small, it has been very active. The '50s vintages have performed well, even after the post-Asian crisis malaise; bottles have become rarer – mostly pulled into complete collections.'

What is the best performing drinking or keeping Grange?

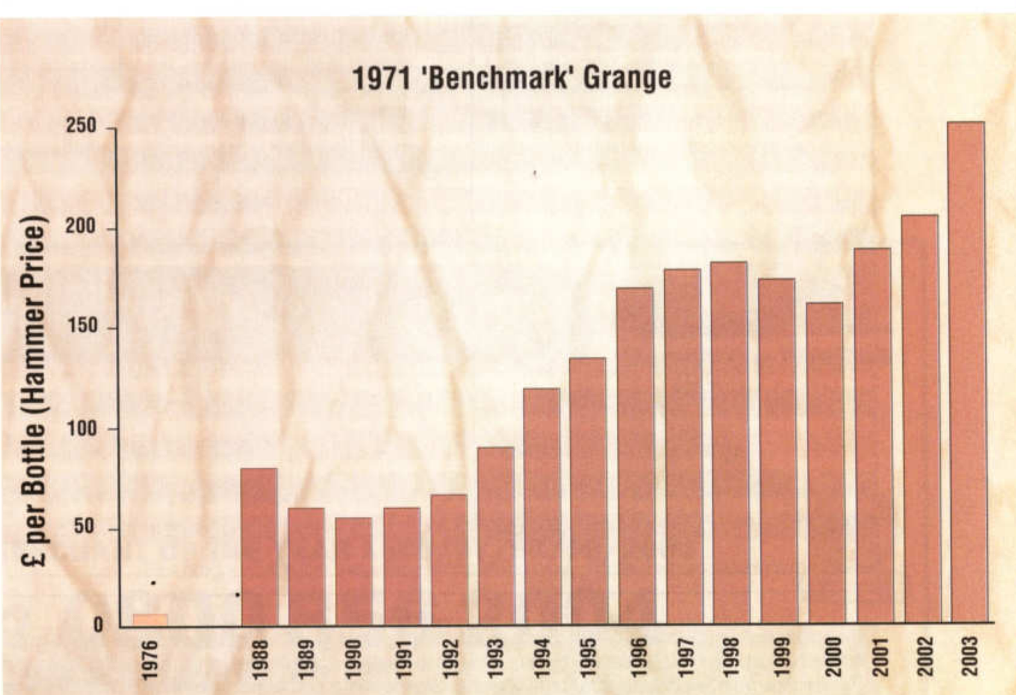
'Both 1983 and 1986 are performing well in the drinking or keeping category, with some years ahead of them. Of the older, mature but drinking-well vintages, 1971 is seen as a benchmark Grange and the 45-fold increase in value reflects this. Frankly, I think this wine has done its dash – although it is possible to see some inclination in values because of rarity and the phenomena of people putting sets together. 1976 is also worth looking at more closely. Of the most recent keeper vintages, both 1990 and 1998 are ones to focus on.'

What economic and environmental conditions have affected Granges value?

'Grange was largely an Australian secondary market wine until the 1990 vintage. Prices ebbed and flowed according to the economy and vintage reports. There was a quantum leap for the 1982 vintage, hailed at that time as being a great Australian vintage (this has since been reassessed), but it provided the excuse to increase prices at a fairly hefty rate. During the mid to late 1980s the boom years saw Grange increase at healthy intervals, however it was on the secondary market that Grange outperformed, supported by the wealth generated across the Pacifc rim. In 1991 (1986 vintage released), Grange headed up the inaugural Langton's Classification of Australian Wine (a ranking of Australia's best performing 'blue chip' wines based on market demand and vintages made), acknowledging its place as the premier Australian auction wine.

Australians are very proud of Grange – many of the buyers are ordinary people who may not even be aware of Robert Parker

'The next hike was with the 1990 vintage, acknowledged as a great year for South Australia. The hype was extraordinary – export markets were beginning to take allocations and there was a perception of short supply. The release price of this vintage had a huge effect on



GRAPH DATA: courtesy of Langton's

pricing of ultra-fine Australian wine, basically pulling up prices at an exponential rate. Henschke's Hill of Grace was the major beneficiary – with its prices pulled up by more than 150% in a single year.

'Prices faltered in the early 1990s, during Australia's recession, but they rarely dropped. Grange has enjoyed a very fine reputation and strong market demand throughout the mid to late 1990s. By the end of 1999, the Australian cult wine scene came into prominence – effectively creating a sluggish market for Grange for a period of about 18 to 24 months. The crash of the cult wine scene in early 2001 and the release of the 1996 Grange alleviated the market malaise and is stark proof of the fact that track record and reputation are key drivers when it comes to a wine's performance at auction. The huge hike in the 1998 vintage came at a time of consolidation at Southcorp, but also huge anticipation from the market. The 1998 vintage has been hyped as the vintage of the century, hence its rapid rise in value. The speculative market has subsided as traders have repatriated stock from Britain and the US, illustrating that this vintage is more highly valued by the Australian market.

'The market is completely different today with more buyers than ever before, emerging international markets and a delivery system – the internet – that embraces a wider range of buyers, thereby offering more stability. In the 1980s an absence of a single big buyer could create marked fluctuations, but not any more.'

Has international recognition by wine critics elevated or effected the status of Grange?

'Grange's exposure as *Wine Spectator*'s wine of the year (the first 'outsider' wine) for the 1990 vintage certainly propelled sentiment. The mid 1990s was a highly successful period for Penfolds, with extraordinary media focus – no doubt adding some sparkle to the market. It was also a time of great vertical tastings and when traders, such as Anders Josephson, emerged as important market influencers.

'The Asian scene certainly skewed perspective. Robert Parker's influence is remarkable in those parts – particularly Singapore. Buyers for Grange were limited so the crash didn't really have a huge effect. Parker's influence on Grange itself is marginal; it's one of the few wines that has a life of its own. Australians are very proud of this wine – many of the buyers are ordinary people who may not even be aware of Robert Parker. However, Parker may have had some influence in the 1998 hype – he gave 99 points to this wine. But Australian taxi drivers probably had more influence!

What part did Grange play in the rise and fall of the cult wine scene?

'Grange is an Australian icon. It has certainly prepared the ground for the recognition that Australia can produce ultra-fine, world-class wine. But it should be seen as distinct from the recent phenomena of cult wine. Consistency, ageability and pedigree has earned it its own club of one. The cult wine scene, emerging in late 1999, with interest in Three Rivers, Torbreck, Wild Duck Creek 'Duck Muck' and other virtually unknown wines, skewed the market. The volume of supply was pathetic, but the prices were extraordinary – Three Rivers was regularly achieving more than $1,200 (£490) a bottle. Grange stood still but after the crash, in which cult wine prices fell by up to 60%, Grange prices started increasing, showing its more blue-chip qualities.'

How much does condition and provenance affect the price of Grange?

'The Asian market has a reputation of paying top dollar for blue-chip wines, but only in mint condition – levels, labels and capsules must be pristine. This, combined with the introduction of the Penfolds Red Wine Clinics, meant that there was (and still can be) quite stark fluctuations in values. Anything with low levels will sell at a discount. Wines with Penfolds back labels that have been through the clinic are well supported here in Australia. There are some critics but these are balanced out by supporters, meaning zero effect in the market. However the US market doesn't like this approach and generally avoids these wines. There is US clinic

Top vintages	Release price	Hammer prices mid 2003	X-fold increase	Robert Parker score
1955	AU$1.50	AU$2,854 (£1,155)	1,902	86
1960	AU$1.75	AU$1,631 (£660)	932	90
1962	AU$2.40	AU$1,233 (£499)	514	94
1963	AU$2.80	AU$1,430 (£579)	511	94
1966	AU$5.50	AU$928 (£375)	169	93
1971	AU$11.90	AU$563 (£228)	47	96
1976	AU$21.65	AU$552 (£223)	25	100
1983	AU$53.25	AU$319 (£129)	6	92
1986	AU$74.25	AU$455 (£184)	6	99
1990	AU$180	AU$474 (£192)	3	94
1991	AU$175	AU$306 (£124)	2	93
1994	AU$200	AU$285 (£115)	1	91
1996	AU$235	AU$297 (£120)	1	90/92
1998	AU$340	AU$604 (£244)	2	99

• Hammer prices are excluding buyers premium and sales tax. Source: Langton's.

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this year which may help reverse this sentiment.

'The Penfolds Red Wine Clinic programme effectively means that wines with poor levels etc are purchased at a discount. Previous cellaring conditions are an issue, but not as great as some think. Indeed, I believe quite strongly that the wine trade here in Australia (and in the UK) use the issue of provenance as a weapon of doubt – a way of casting influence with their clientele. My experience with the clinics has shown that wine bottles that appear in good condition are generally ok – within a window of acceptability. Anything with level problems, leaking capsules or even damaged/mouldy labels, can all hint at a possible problem. These wines are always catalogued accordingly and with discounted realisations. Max Schubert's signature can have an influence on values, but this is not totally quantifiable – say 20% more.'

If Grange is the 'world's most consistent wine', then why do vintage prices vary so much?

Not so long ago people were not that concerned about vintage in Australia – a reflection of a young market. The emerging boutique wine industry during the 1980s, and a more sophisticated market, created change. During the 1970s there was not much concern, but by the mid 1980s the secondary market was beginning to recognise vintages (the 1962, 1966, 1971, 1976) which would get a premium. There is a thought that there isn't such a thing as a bad Grange, which I tend to agree with. 1972 is considered as a dud year, although it was one of the top performing wines at the last Rewards of Patience tasting, where a select panel tastes the released vintages to assess their performance. The issue with 1972 was that there was a bottling problem and half the vintage was effected.

'By the 1990s vintage was a primary concern as the market began to appreciate the concept of regional definition and vintage variation. Grange is a multi-regional blend, so if one vineyard does not perform Penfolds will source fruit from another. The consistency of Grange is remarkable, as strong swings in vintage conditions can be managed. The release of the 1990 and 1998 Grange show that every now and again the market will mark up vintages, thereby pulling up values. The 1990 and 1998, on release, attracted significant interest and corresponding prices. Such vintages pull up Grange prices across the board because the lesser vintages look like better value. Grange effectively pulls up prices within its own paradigm and also has an effect on other ultra-fine Australian wines. It does have plenty to do with quality but there is possibly a market phenomenon which won't allow more than a few stellar vintages in a ten-year period. 1991 is a super year but is performing shy of 1990. The 1996 vintage – a great year – is already in the shadow of the 1998 vintage.'

'On a global level Grange, Californian and cult wines have all found difficult headway recently. The uncertain economic climate meant a retreat to the blue-chip wines and rarities of exceptional vintage and provenance from Classic regions. In these markets lesser Grange has often found slow progress. The Australian secondary market may well prove more positively disposed to Grange, however the parity of prices for Grange across different markets is increasing with international communications and clientele.'

Icon: Grange has shown Australia can produce world-class wines

PHOTOGRAPHY: courtesy of Sotheby's

MARK LANE is an International Wine Challenge superjuror and has worked for The Auction Channel and News International.

• *Langton's run Grange auctions each year to coincide with the new release of Grange. Every month Langton's operates internet auctions – visit www.langtons.com.au*

Join the club

For those who want to start investing in wine with a view to making money, one way to gain a foothold is to invest in a wine producer or wine company. MARK LANE offers some tips and looks at the recent performance of a few of the big players worldwide

To some, it may seem anathema to buy wine for financial gain, but some merchants estimate (off the record) that more than two-thirds of their blue-chip claret and Burgundy sales are for investment (or part-investment) purposes. Buying early, *en primeur* or at release is the key – as it is for investments as a whole. But often, to buy early, you must have developed a long and strong relationship with a top-notch merchant broker. Unless you have loyally bought high-end, high-value wines in good and not-so-good vintages, you will be too far down their pecking order when the new vintage of Domaine de la Romanée-Conti is released. The wines that are more easily available (ie, not in such great demand) do not always generate the returns you may get from your high street savings account. Sometimes, buying wine can seem like rather an exclusive club.

If you are determined to take ownership of some of the great wines of the world, a starting point may be investing in the wine producers or wine companies themselves. Acquiring ownership can be financially rewarding and you can have a real stake in the world of wine. However, there are three main challenges in doing this. First, many luxury wine brands have been bought by conglomerates (AXA, LVMH, Pernod Ricard) and, to own a share in a specific wine, you have to own a stake in the parent company. Second, many of the blue-chip wines are privately owned, so public share ownership is just not possible. Finally, there are tax and currency implications.

To own a bit of Mondavi's Opus One or the Ravenswood winery, you'll have to buy shares in one of the world's largest wine companies: Constellation Brands (87 million cases a year, market capitalisation of $6.22 billion, listed on the New York Stock Exchange – NYSE). If you had purchased shares in the summer of 2004 at $37 and sold in summer 2005 (allowing for its two shares for one share split in May 2005) at $57.60 ($28.80 x 2), you would have made $20.60 per share gross profit.

Buying some Penfold's Grange now means buying a six-pack of Fosters (listed on the Australian Stock Exchange – ASX). Fosters has recently purchased Southcorp, owner of Penfolds. The last share offering in Southcorp shares was the Fosters offer price of AU$4.42 in May 2005. A year before that, it was AU$2.95 – an annual return of 43.7%.

Way in: to own a share of Opus One (above) you will have to buy shares in parent company Constellation

PHOTOGRAPHY: courtesy of Opus One

Many are sceptical about the ultra-premium brands created by New World producers. The opening prices of these wines, many with no track record other than lavish winemaking and high-profile consultants, have disappointed investors and collectors alike. The same cannot be said for one of the success stories of the 1990s, Concha y Toro (NYSE listed). Share purchase would have brought significant rewards, with a mid-1995 share price of $15 rising to a current trading position of $80.

> Acquiring ownership of the great wines of the world can be financially rewarding and you can have a real stake in the world of wine

At the other end of the scale, Willamette Valley Vineyards (NASDAQ Small Companies listed), based in Oregon and producer of premium, super- and ultra-premium wines from its 113 hectares of vineyard (market capitalisation of $17 million), has seen its share price increase in the past nine months from $1.87 (12 August 2004) to $4.53 (16 May 2005). Incidentally, shareholders account for a significant proportion of the wines purchased.

However, it is not all sunshine and money. With talk of excess stock (read glut) on the horizon, inventory control and cash flow will become more of an issue. Even a successful company such as Western Australian producer Evans & Tate (ASX listed), with a 15% increase in net operating revenue in 2004/05, has seen its five-year trading range of AU$1 to AU$1.50 plummet to AU$0.40 by June 2005. The reasons behind this remain unclear.

Nearer to home, one of the old guard booze operations, Allied Domecq (listed on the London Stock Exchange – LSE), has been snapped up by another leviathan – Pernod Ricard. This makes it the largest drinks company in the world and owner of many premium wine brands. In February 2003, the share price was at a low of £2.61. Trading around the Pernod Ricard acquisition activity in May/June this year saw its price hit £6.99, an overall increase of 168%. Not bad for 15 months. Compared to the FTSE 350 Beverages Index (called the UB41), which has increased from 4,200 points to 5,000 points in the past year (19% increase), the Allied Domecq performance is excellent.

Although not classed as a wine producer, share the success of one of our wine-sector stars: Majestic Wines, listed on the LSE's Alternative Investment Market (AIM). It has seen its share price rise consistently from about £0.60 in 2000 to £2.88 in early 2005. A tidy return of 380%.

If you have a thirst for more exotic investments (check out Chinese Whispers, *Wine International,* July 2005), then Dynasty Wines may fit the bill. It is China's second-biggest wine producer by turnover. In late January, when it floated on the Hong Kong Stock Exchange (HKSE), its shares were oversubscribed 625 times. Dynasty shares soared 39%, finishing at HK$3.13 (US$0.40) in the first day of trading, well above its offer price of HK$2.25 (US$0.28). In addition to a rapidly growing wine industry in China, analysts said the relatively small size of the offer and the company's leading market position were also reasons for the strong share growth. Although the shares have slipped back to HK$2.80, it represented a quick turnaround opportunity in the first instance, and time will tell if the long-game is possible.

MARK LANE is an IWC superjuror and *Wine International*'s auction and investment columnist

Leaders of the pack

Châteaux Pichon Baron and Pichon Lalande have a great deal in common, from their classification to their Parker scores. However, as MARK LANE discovers, there are also all-important differences

Pichon Baron and Pichon Lalande seem to share more similarities than just name, location and classification (*2eme cru*). Both are at the top end of their ranking, and their Robert Parker scores for good vintages show remarkable parity, with a 92- to 93-point average. Since 1982, both have shown an 89.5- to 90.5-point average. Even release and current pricings are similar. But closer examination highlights what are very different wines.

Historically Pichon Lalande's quality has shown greater inconsistency, with higher highs and lower lows, while Pichon Baron shows a smaller qualitative range. But Lalande is becoming more consistent and Baron's quality is rising towards the firmament previously occupied by Lalande. Between 1982 and 2003 the increase in release prices for both wines has been quite modest – some 3.5 to 4.5 times, with an overall average of £370 for Lalande and £290 for Baron for the good vintages detailed in the table.

One could even argue that there is evidence of a release price fall. For instance, release prices for qualitatively similar vintages, Pichon Lalande 1989 (£360) and 2002 (£325), show a decline. Any analysis that attempts to show the value (release or current) must be further moderated by taking into account economic change. Today, the mature wines (1980s) in the 92- to 96-point range seem to peak at around £900 per case, with the Pichon Lalande having slightly more room for manoeuvre at the top end of this scale.

Leading lights: châteaux Lalande (top) and Baron (bottom) are both leaders in their classification

PHOTOGRAPHY: © *Wine International*/July 2005

But two Pichon Lalande prices point to a deeper currency of thought. The 1990 wine, when compared to its 'excellent to extraordinary' Parker rating for the Pauillac/Margaux vintage, scraped by with a mediocre 79 points but still expresses a bullish current value of £650. This could be partly due to the reputation of the vintage, a reappraisal by the market that goes against the Parker score or a resilience in the price because of the château's reputation.

Overall, the wines from either Pichon don't show any convincing argument to treat them as an investment, but the 1982 Lalande should make you sit up and take notice – especially the power of a 100-point score by Parker to push it nearly 2.5 times the value of the other vintages. This has resulted in a current price of £2,300, 17 times its release price. Even more remarkable is that it represents an annual compound interest rate equivalent of 14.25% each year between 1982 and 2004. Now that's a real difference.

MARK LANE is an IWC superjuror and *Wine International's* auction and investment columnist

• *See p22 for our reclassification of Bordeaux*

Pichon Baron

Vintage	Parker points	Release price	Current Price	X-fold increase
1982	95	£121	£900	7.4
1989	95	£405	£900	2.2
1990	96	£176	£900	5.1
1995	90	£287	£320	1.1
1996	91	£325	£410	1.3
1998	90	£284	£300	1.1
1999	89	£239	£260	1.1
2000	96	£410	£600	1.5
2001	93	£281	£300	1.1
2002	89-91	£264	£265	1.0
2003	92-94	£405	£450	1.1

Pichon Lalande

Vintage	Parker points	Release price	Current Price	X-fold increase
1982	100	£135	£2,300	17.0
1989	92	£360	£850	2.4
1990	79	£195	£650	3.3
1995	96	£320	£725	2.3
1996	96	£550	£690	1.3
1998	88	£370	£340	0.9
1999	87	£280	£300	1.1
2000	97	£580	£850	1.5
2001	93	£387	£340	0.9
2002	92-94	£325	£320	1.0
2003	93-95	£570	£570	1.0

Château d'Yquem: liquid gold

Following last month's article by Serena Sutcliffe MW about the landmark Yquem tasting to which she was invited, MARK LANE looks at the investment potential of Sauternes' top drop, investigating why its legendary longevity is both a reward and risk for the wine lover

Château d'Yquem, the gold standard of sweet wines, has never commanded the cachet of the top investment reds. However, in great years, it provides rock-solid values brought about through minute supply (5,000 to 6,000 cases), incredible longevity and cast-iron reputation. While not providing stellar performance in uncertain times it can, like gold, provide a haven for investment. Its longevity is legendary – such antiques from the early 1800s are sometimes seen at auction. In November 1999, bottles of 1816 and the legendary 1847 were offered at auction in the US with an estimated range of $12,000 to $20,000 (£7,000 to £12,000) a bottle, selling for $12,650 (£7,500) and $11,500 (£6,800) respectively.

Performance over recent years, while not earth shattering, has ridden the peaks and troughs of the economic seas with less choppiness than many lesser wine. In many respects Yquem inhabits a class of one: it is the emperor of all sweet wines. Period. This can be seen as a strength, as there is little or no competition for it at this level. But competition can provide both risk and reward. In this instance, steady, small supply and a niche can lend stability.

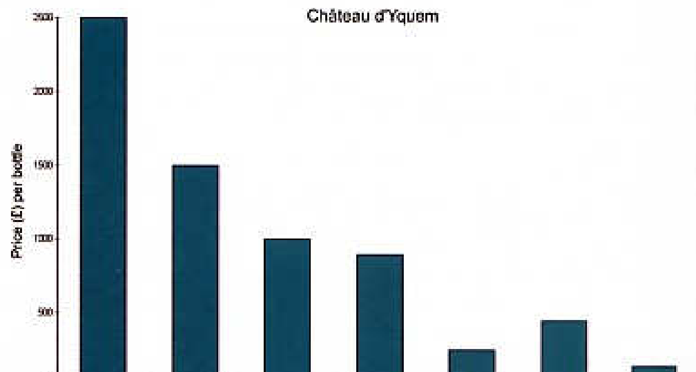
Looking at the graph of selected years, we can see that rarity value (with age) allied to good vintage does make for a good investment. However, the greats of the future may also take the best part of the century to reach these lofty heights. And looking at the wide spread of estimated value for these antiques, they achieve what people are prepared to pay for them, which can mean nearly anything. While Yquem has never been absolutely chi-chi in investment terms, chance (in the guise of fad and fancy) focuses value every so often into a spike, and this would be the sensible time to sell. In November 1999 a case of 1921 Yquem sold in the US for $51,750 (£31,000).

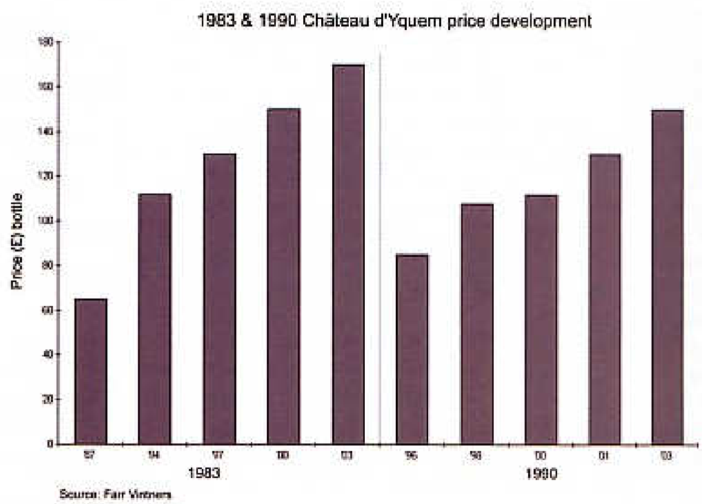
Yquem is released at five or six years of age and not *en primeur*. The exception being in 2000 where the château chose to capitalise on millennium fever (as did most of Bordeaux), meaning that it was offered pre-release at a level matching many first growths (£2,250 per case) and exceeding Yquem's superb vintages in 1990, 1989, 1988 and 1983. Stephen Browett of Farr Vintners says: 'There is no sign that the market for this wine will ever increase in the short term. Fortunately [for the château] there were enough collectors around who needed a case of Yquem for their cellar in a "famous" vintage.'

Château d'Yquem has much to commend it as a collectors' wine. In investment terms it can provide solid value with slow appreciation and the chance for price spikes. Despite its undoubted quality, infinitesimal supply, superb longevity and a class-of-one niche, it stands on the periphery of wine investment – every investment cellar might have some but it may never play a central role.

• For a more indepth look at Yquem vintages, see the definitive article by Serena Sutcliffe MW in *Wine International*, December 2003

MARK LANE is an International Wine Challenge superjuror and has worked for The Auction Channel, News International and Sotheby's Institute for Fine and Decorative Art.





Success is sweet: Yquem has had many excellent vintages along with its fair share of unfortunates. The château's two great vintages are arguably 1847 and 1921. The 1947 vintage was greatly acclaimed and 1983 is regarded as the best year since 1967

Market barometer

Château Lynch-Bages has a solid reputation for quality, with its wines often capable of great returns. MARK LANE suggests this Bordeaux producer acts as a benchmark for the all-important middle market of wine investment

Château Lynch-Bages has, during the past couple of decades, built a reputation for consistent quality that places it above its humble fifth growth classification. Venerable merchants Berry Bros. & Rudd even go as far as to state on their website that it 'continues to make a mockery of its status'.

The past ten years has seen Robert Parker's influential score wavering in the low- to mid-90s. But the château's high-quality and less-fashionable pricing has often been seen by some critics as at odds. In turn, this discrepancy suggests to others that the wine has hidden value. But it is one of the most well-known clarets in the UK market. So why the paradox? Is it a hidden value or is it something potentially more valuable for those seeking to understand market vagaries?

A look at historic prices show Lynch-Bages is capable of impressive returns (see table, below). 1982 towers above other vintages in terms of value, with a 12-fold growth from its release price. Down from its 2003 high of £1,500 per dozen), that vintage still represents a respectable return. The 1990, a similar year qualitatively (94 Parker points), is now trading at £900 per dozen, and the same goes for the 1985 and 1989 (95 Parker points).

With time, these wines should increase a little more, but will find a level some way below that of the 1982. Why? Because, while they are the same, qualitatively speaking, 1982 is still *the* auction vintage by which others are judged. This clearly demonstrates that better or equal wines and their values can be held back by the 'fashion' of a vintage.

The best most-recent vintage is the 2000 (95 points), which is now valued at £600 per dozen. So why is this sought-after vintage trading at more modest levels? It's all part of the interest Lynch-Bages has. Looking across its vintages, over the past 12 months none has shifted substantially in value. One of the few to do so, in a reserved way, has been the 1996. Its increase most probably reflects the slight shift in market sentiment towards this year when compared to pricings of the more recent or more popular vintages.

Overall, the 2004 to 2005 market has been strong, with blue-chip and collection-building wines becoming more expensive. The slight recalcitrance of Lynch-Bages in reflecting these increases may focus on the top-end rather than mid-market.

However, there are signs that the middle market and the 'high-quality drinking' market are also starting to push up more modestly. It also suggests that, at current levels, value-gain has already been extracted from most Lynch-Bages vintages, and that the château's market parity may have been found. But it would be a surprise not to see the 2000 increase beyond the value of the 1990s and 1985s.

Expect the value of the 1982s to fall, in time, to the dominance of the 2000; the market will decide how long this will take. However, as stocks of the 1982 dwindle – as they reach beyond optimum maturity – then prices of the lower-valued but better wines will start improving. The 2000 vintage should, if its line to the throne remains clear, take the crown.

All-in-all, Lynch-Bages is a good example of how a wine can be a market barometer. If the macroeconomics underpinning the market stay the same (which they patently do not), then the better, and better-priced, Lynch-Bages's will reflect the natural cycle of the market as it progresses through the vintages: pushing up the value of fashionable wines, then moving away to extract the value of good but lesser vintages, before moving back to the value of the latest, greatest vintage and subsequently starting its cycle again. In this respect, Lynch-Bages is not so much a hidden value or blue chip in waiting, but a valuable benchmark for an important middle market.

Setting standards: Château Lynch-Bages reflects the natural cycle of the market

• Next month: see how Lynch-Bages fares when we reclassify Bordeaux's top wines

An historical look at the value of Château Lynch-Bages

Vintage	Parker points	Release price/12	Current price/12
2003	88-90	£310	£330
2002	90-92	-	£250
2001	89	-	£285
2000	95	£395	£600
1996	94	-	£550
1995	91	£225	£450
1990	94	£150	£900
1989	95	£150	£900
1985	91	£150	£850
1982	94	£100	£1,200

Mouton 1986

In this new series, MARK LANE gives us an insight into the heady world of fine wine investment, charting the progress of a top wine from a good vintage against the FTSE index, analysing its past performance and looking at its likely future potential

As an undeniably 'blue chip' wine, Château Mouton-Rothschild is a frequenter of the auction scene, and here, I've chosen to chart the Mouton 1986. Although this is recognised as one of the finest wines from a very fine vintage, it is undoubtedly less popular than many other Bordeaux' first growths from other years, especially the popular 1982/1990 vintages, which still manage to eclipse 1986 in investment reputation.

All first growth Bordeaux are investment-worthy because of the value created through reputation, quality and the high demand/low supply situation. Regular trading at auction is a positive investment characteristic and, according to Kim Kendall at WineTrends, Mouton, has seen higher aggregate hammer prices and volumes between 1997 and 2002 than most other wines. Furthermore, Mouton 1986 has been crowned with 100 points by Robert Parker – the rainmaker of the fine wine world – substantially increasing its desirability.

Between 1987 and May 2003 Mouton 1986 peaked at eight times its release value, settling down to a fivefold return. The FTSE100 Index has shown a fivefold peak and has settled down to two to threefold return. Since 1999, the FTSE has shown a strong downward trend; Mouton, after a large 1997/8 correction, has languished near £2,000.

The steepest rise in value of Mouton 1986 was between 1994 and 1997, no doubt its catalyst being the first 100-point Parker review in August 1993. However, the global economy was still in recession and investment activity was stubbornly low. 1994 saw shoots of recovery, but US interest rates, NATO in Bosnia, turmoil in Chinese markets, a nuclear dispute in Korea, a trade dispute between the US and Japan, and a Japanese financial/political scandal dampened both the FTSE and the Parker effect.

Yet October 1994 saw a second Parker review. This, allied to stronger economic recovery, saw the wine jump by £1,000 a case. A third Parker review (August 1996, and another 100 points) praised its quality, concentration and longevity (50–100 years), and continued the upward price pressure. Mouton was fashionable. Parker, global recovery, strong Far Eastern auction participation and two record-breaking single-owner sales saw Mouton 1986 record £4,000+ per case in 1997.

Mouton 1986 has been crowned with 100 points by Robert Parker – the rainmaker of the fine wine world – substantially increasing its desirability

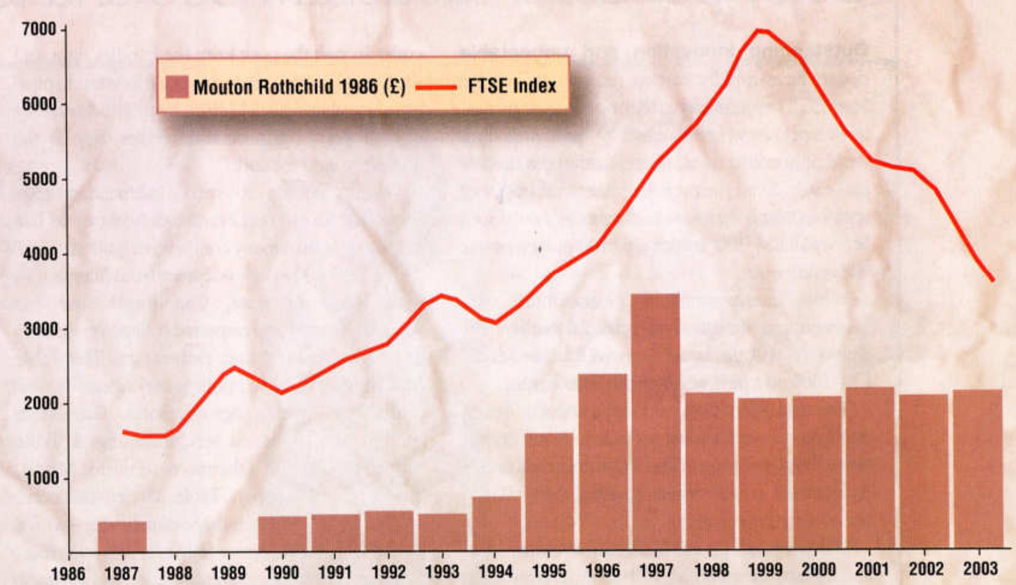
1997/8 onwards has seen a decline from the exceptional (some say artificial) prices created by the large 1997 auctions. A Far East stock market crisis (late 1997), declining indices since the 1999s 'dotcom' high and a continuing lack of fashion for Mouton 1986 has seen it hovering around £2,000.

So what lessons can we learn from all this?

When to buy: *en primeur* to mid-1994 you would have paid around £400–500 a case. Opportunistic buying since 1997/8 could have yielded around £1,700. Some commentators see Mouton 1986 as undervalued. A bargain at just over £2,000.

When to sell or keep: Best time to sell would have been 1997, but if you bought pre-1994, selling now would still realise healthy gains. Obviously the question is what are the future rises and falls of this wine? Without the glass ball, opinion is divided – some see it as undervalued, showing a flattened price that will come through its cycle and inevitably rise (possibly to previous levels) when the world economy recovers and stocks of older vintages deplete. Critics say that although it is a great wine in a good vintage, it is persistently unfashionable. Arguably Mouton has not had a great wine since 1982/1986 and with other more popular château/vintage combinations available, increases in this wine might prove harder to realise. At £2,000, many see it as finding a correct value/level.

MARK LANE is an International Wine Challenge superjuror and has worked for Auction Channel and News International.



Rise and fall: while global events impact on the FTSE index and investments generally, other factors that cause fluctuations with fine wines include exceptional reviews from key critics like Robert Parker

DATA SOURCE: GRAPH courtesy of Stephen Mould, Euroopean wine department, Sotheby's: Farr Vintners

Palmer's golden promise

Château Palmer has often lost out to the bigger names but, with a consistent increase in quality over the past few years, there has never been a better reason to invest. MARK LANE highlights the strongest vintages and how Parker points have an effect on price

Over the past half century, the third-growth Château Palmer has been recognised as the greatest Margaux wine after the famed first growth of Château Margaux. There were even times during the 1960s and 1970s when Palmer outshone its more illustrious cousin; in the case of 1961, it is arguably the wine of the vintage. Although it has been judged as an inconsistent performer, recent years have shown Palmer exhibiting a 23-year average since 1982 of 89 Parker points (bestowed by the influential US wine critic Robert Parker Jr) a decade average of 91.5 points and, over the past five years, an average of 92.2 points. All of which indicates, if anything, a trend towards an increase in quality.

Here comes the sun: with the recent production of consistently good wine and a helping hand from Robert Parker, Château Palmer has stepped out of the shadows

The ever-popular auction vintages of 1982, 1989 and 2000 currently hover either side of £1,000 per dozen, giving an increase on release prices of 11-fold, 4-fold and 1.12-fold respectively. Only the millennium pricing dents any short- to medium-term investment potential. Of the top Palmers in qualitative terms, the 1983, 1989, 1999, 2000 and 2002 are 'greats' of the past 23 years, with the stellar 1983 weighing in at a hefty £1,350 per dozen (recently I have seen this for sale at nearer £1,800) giving it an increase of 12- to 15-fold over the previous year's release price. In November 1999, a dozen bottles of this 97-pointer sold at Sotheby's, New York, for $4,600. Taking a look at the current prices of the top wines, the 1999 and 2002 look good value at between £500 and £600 per dozen, in bond, ex-VAT.

It is not just the recent vintages, purchased early, that can generate a strong return. Looking at the majestic 1961, we have a 99-Parker pointer – the highest score he has ever given to this château. Investigating the auction archives available through Sotheby's website (a very useful resource for anyone looking to develop a background knowledge in the price curves of fine wine and the trends in the market), we can see sale estimates of the 1961 vintage at £3,200 to £4,000 in late 1998, rising to £5,000 to £7,000 in 1999 and £9,000 to £11,000 in early 2002. Actual hammer prices today are in the region of £9,200 to £9,400.

It is interesting to see how a few Parker points can influence Palmer 1966, for instance, scored 96 and sells at £2,500 per dozen; the 1959, with a staggering 98 points, sells at £3,500 per dozen. Those with an appetite for figures should take a look at the similar differential between the 1947 (98 Parker points) and the 1949 (96).

Looking at the prices of Bordeaux in relation to Parker scores for different wines and different vintages – and there is no hard and fast rule – can be really quite illuminating. An award of 90 Parker points indicates that the market will accept this wine as an auction commodity with a median or benchmark value (any score below this often depresses this price), 95 Parker points can give a real boost to the price but it is at 99 and 100 points that wines double or even treble their median value.

All-in-all, this bewildering array of figures points to one set of actions: look closely at those Parker scores, chose your moment wisely at purchase and at sale. Only then, plus a smattering of luck, is a tidy sum to be had.

MARK LANE is an IWC superjuror and *Wine International's* auction and investment columnist

Château Palmer prices: 1982 to 2004

Vintage	Parker points	Release price	Current price
1982	89	£115	£950
1983	97	–	£1,350
1989	95	£260	£1,050
1990	88	£217	£900
1995	90	£262	£540
1996	91	£295	£550
1998	91	£438	£600
1999	95	£498	£600
2000	96	£860	£930
2001	90	£650	£620
2002	93-95	£466	£500
2003	88-91	£670	£670
2004	90-93	–	–

Source of pricing data: Paul Marus of Corney & Barrow; Paul Milroy of Berry Brothers & Rudd; Charles Sichel of Château Palmer; and Sotheby's. Many thanks to Robert Parker for qualitative comparative data.

Château Pétrus 1990

In this month's glimpse into the world of fine wine investment MARK LANE puts the legend of the Right Bank, Château Pétrus, under the spotlight, analysing its performance against the FTSE 100 index before contemplating its future prospects

Expensive, desirable, dependable. If Pétrus were a stock it might have a AAA rating. Pétrus has not had a long history in the limelight when compared to the First Growths. Although its quality was recognised as early as 1878 most of its fame has been focussed post-war. However this has provided a long and steady enough pedigree to assure it of a place in the blue-chip club.

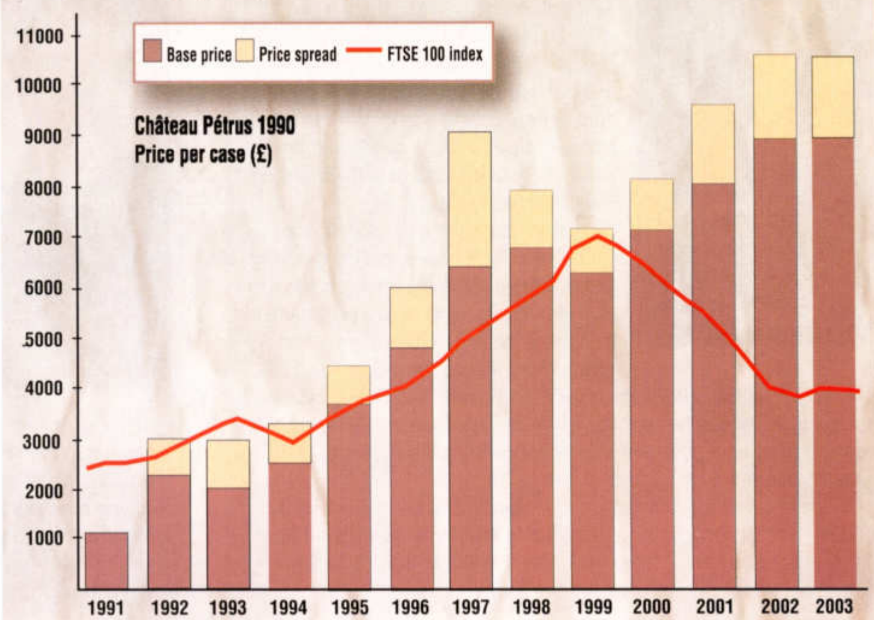
The undeniably small production levels (around 20% that of Mouton) and a frequency at auction makes it an excellent investment prospect. This is reflected in a ten-fold return on investment – rising from just over £1,000 per case *en primeur* to £10,000 today. But this seems to pale when set alongside the stunning performance of Pétrus 1982. The 1982 started its *en primeur* price at £500 and over two decades has shown a meteoric rise that has seen it top £17,000 at auction, an X-fold increase of 34 times. A less than perfect Parker-rating has not stopped table-topping performances at auction. Year-on-year, between release and 2002, Pétrus 1982 has shown a 20% compound growth. However, recent auction prices show a visible softening to the lower end of the £10-14,000 range. It will be interesting to see what now happens to the '82 Pétrus as it moves slowly from keeper to drinker status and to see if its popularity gets eclipsed by younger, longer-lived Pétrus 100-pointers.

The Parker-perfect (100 points) 1990 has steadily increased at a similar 20% compound rate over its life to present levels with an X-fold increase of 10 times. If the 1990 was to continue its growth like the '82 did in its second decade then, all things being equal (which they are patently not) it would show a similar X-fold return as the '82. Whether this wine increases from its present, lofty level is a matter for speculation. The last couple of years have seen a sticking in the £9-11,000 range with the 1982 accelerating away then falling slightly back. Is this the shape of things to come? In auction circles 1982 claret is, and will continue to be, much more fashionable. However there can be no denying the pedigree or the potential of this 1990.

An interesting characteristic of Pétrus 1990 is that it has shown a consistent increase along with a lack of sensitivity to worldwide financial volatility. It is also interesting to note that the 'Parker-effect' seems to be over-shadowed by the overall demand for this fashionable wine. Between the years of 1992 and 1994 it was rated initially at 93-95 points and then three times at 100 points – the jump in value over this period is not as marked as with other wines earning such an august accolade.

The early '90s recovery from global recession, glowing Parker reviews and high profile sales may have helped fuel Pétrus's growth. But the Asian economic crisis of '97/'98, the continued fall of the FTSE from '99 and today's increasing global uncertainty, whilst providing some temporary softening, has not dulled this wine's sparkle. Not yet anyway.

Promising progress, but can it continue?



The 'price spread' on the graph shows a range of prices that the wine has been commonly offered/ or sold at across auctions or fine wine brokers. Pétrus characteristically shows quite a large spread. For the exercise here, unusually high or low values have been discounted.

This article looks at average annual trends – volatility within any one year can show significant variation. For instance, 1999 showed case prices varying between £6,000 and £9,000 across two consecutive months at auction.

1997 prices have been adjusted to compensate for the bias created by the very high prices generated through two large single-owner sales. The illustrated price is an attempt to show an underlying and more representative value seen elsewhere.

DATA SOURCE: Graph courtesy of Stephen Mould, Sotheby's; Paul Marus, Corney & Barrow

MARK LANE is an International Wine Challenge superjuror and has worked for The Auction Channel, News International and Sotheby's Institute for Fine and Decorative Art.

• Thanks to: Sotheby's, Corney & Barrow, Farr Vintners and Christie's

The author/*Wine International* accepts no responsibility for the accuracy/reliability of information contained herein. Data was drawn from restricted and not necessarily representative sources. FTSE data has been estimated and is 'illustrative' only. Wine prices can vary greatly between sources and time-periods. Price analysis is only looking at annual variation, average hammer and broking prices. These prices may/may not include Buyers Premium but not VAT or duty. Wine as an investment can go down as well as up. Information in this article should not be an indication as to future performance of wine investment.

Premier cult

This month, MARK LANE takes a closer look at Georges de Latour Private Reserve from Beaulieu Vineyard. He discusses its origins, limited production levels, shining reviews from Robert Parker and the future this wine holds as a possible investment

The year 1900 AD saw Queen Victoria give Australia royal assent to become a Commonwealth; over in South Africa the Brits were battling with the Boers, Spencer Tracy and the Queen Mother were born and Oscar Wilde and Friedrich Nietzsche passed into the annals of history. Meanwhile, California was watching its wine industry be dismantled by the phylloxera epidemic and, in a quiet corner of the state, (Rutherford) émigré, Georges de Latour, started a legend that was to grow into a first growth of California: Beaulieu Vineyard. With a solid pedigree even before its famous 1936 vintage – it won the Grand Sweepstakes Award at the Golden Gate International Exposition – its flagship wine, Georges de Latour Private Reserve, may have been California's first cult wine.

Cult wine: was Georges de Latour Private Reserve from Beaulieu Vineyard the first cult wine of California?

A sporadic guest on the auction circuit, it is still only produced in limited quantities: 12,000 cases compared to its more illustrious first growth Bordelais namesake (Château Latour) of nearer 16,000.

Unlike the less established, more fashionable cult wines, there is no waiting list or invite-only queue for the Private Reserve. This doesn't mean they are not sought after – it is a rare but perennial darling at auction. As displayed in the table below, the older vintages are the ones that attract the greatest interest and consequently have resulted in the greatest returns.

IN 1900 GEORGES DE LATOUR STARTED A LEGEND THAT WAS TO GROW INTO A FIRST GROWTH OF CALIFORNIA

Parker scores for Georges de Latour vary widely but always rest at the top end of his 100-point scale: 1966, 1968, 1978, 1979, 1982, 1997 scored 90 points; 1994 scored 91 points; 1958 and 1970 scored 93 points; and the 1976 and 1951 scored 95 and 96 points respectively. The 2001 – just being pre-released to distributors – has not been scored by Parker but expectations are high.

In light of comparative data from Sotheby's and Beaulieu Vineyard then matched to the all important Parker judgements, it could be said that that the 1970, 1994 and 1997 vintages could be slightly undervalued. Considering the stratospheric Parker rating of the 1976, this could be very undervalued. There is possible scope for future prices to shift. But if anyone actually knows what the future holds, please let me know as investments can be made!

Many thanks to the experts in the London and New York offices of Sotheby's for providing core data that has also been supplemented by comparative data directly from Beaulieu Vineyards

PHOTOGRAPHY: Stephen Lenthall. GRAPH: data courtesy of Sotheby's and Beaulieu Vineyards

MARK LANE is an International Wine Challenge superjuror and has worked for The Auction Channel, News International and Sotheby's Institute for Fine and Decorative Art

Reaching for the Tsars

A recent auction at Sotheby's in London of The Wines of the Tsars from Massandra Estate on the Black Sea failed to realise its pre-sale expectations. MARK LANE speaks to Stephen Mould, senior director of Sotheby's, about what went wrong

On 3 December 2004, a historically significant and unique collection of wines came under the hammer at Sotheby's. The Wines of the Tsars – created at Tsar Nicolas II's estate of Massandra on the Black Sea – paid tribute to the great wines of the world by recreating them in their own image. The wines of Massandra occupy an important place at the heart of Russia's Imperial and cultural history. So extraordinary was the collection, which bears the Seal of the Tsars, it was hidden – first by the Imperial Court from the Communists and then by the Communists from the Nazis, walled up in vast chambers. With an almost fantastical story to tell, these wines had the provenance, historical significance and uniqueness to create a bubble of bidding that could make history itself. Sotheby's thought so; most wine experts thought so. Yet, the sale took £149,391 (on a pre-sale expectation of £500,000) with 327 of the 522 lots left unsold. So what went wrong? Stephen Mould, senior director of Sotheby's talks about the potential of these unrecognised great wines.

Why do you think that, although there are some individual star performances, the sale fell so short of expectation?

The real wine lovers and collectors of the Tsar's wine are in a minority. No investors are interested in them; they stick to the 25 Bordeaux châteaux. In addition, the Russians have not moved into fine wine yet in any great numbers, although they are buying Russian art. It was unlucky that our sale fell at the height of the troubles in the Ukraine; plus there were also bank restrictions put in place, which would not have helped. Dessert wines are currently not very popular – just look at the situation for Sauternes and Port. People want classic red at auction. But the Massandra wines are superb – you have to taste them to realise how virtually eternal great sweet wines can be. They were received rapturously at the pre-sale tasting but, unfortunately, this transformed into one bid per person, which does not make a sale. Oligarchs have not yet realised what splendours these wines are and what a patrimony they have, despite the great publicity we received in Russia and the UK.

Do you think that it was because many of the wines are seen as just antiques or historical curiosities rather than wines that can be further cellared and drunk?

We made extensive tasting notes in the catalogue as a result of our visit to Massandra in July. All the wines were highly drinkable and absolutely delicious, and the majority had years ahead of them. Our comments were supported by those who attended the auction, the tasting and the dinner.

Are the value of these wines largely derived from their historical significance rather than their quality or rarity?

Many of the wines, particularly the sealed bottles, are not available on the market. The wines in the sale have both quality and rarity, therefore are highly valued. There are significant stocks of Massandra (10,000 bottles are laid down annually) but these are of more recent vintages. Perhaps some people who were already aware of Massandra did not appreciate the significance of the wines that were being offered at auction, despite the success of the pre-sale press coverage.

Why are collectors, traders and investors so focussed on the classics? Is this not an oversight on their part?

Collectors prefer to stick to the classics and there's a track record. I don't think you can blame them for this. There are not as many buyers in the UK for sweet wines as in the recent past. The dollar has a significant part to play as it's very weak at the moment and Americans are not buying in Europe.

What is the future of the wine of Massandra? Is this the last time we will see such a sale (in light of the poor performance) or do you think that, one day, such wines will be rediscovered and have a rightful place in discerning cellars?

There are currently no further plans for another Massandra sale but no doubt we will continue to see them at auction but in smaller quantities. There is a niche market for these wines and there will always be a small number of collectors of them. Maybe the oligarchs will wake up to what they are missing.

Performance of Massandra wines

PHOTOGRAPHY/GRAPH DATA: courtesy of Sotheby's

MARK LANE is an IWC superjuror and *Wine International's* auction and investment columnist

Reviewing short-term lessons

Wine International's investment column has completed its second year. MARK LANE considers some of the wines that were discussed back in 2003, and asks what we can learn from their recent performances

Entering its third year, this column has looked at many wines for investment – some because they are good, some because they are bad, and some because they are indifferent. One thing most of them have in common, though, is that they are excellent to drink. One must not forget that the ultimate sanction for an investment wine is that it is drunk; it gets no worse. Table 1 details many of the wines covered in this column between mid- and late-2003. So, after two years, what are the lessons we can learn from the performance of these wines?

• Some of the decline in prices shown here has been a result of a weak US dollar. While many of the wines have been traded internally in a US market (which doesn't affect domestic pricing), the weakness of the dollar when converted to pounds sterling (at prevailing exchange rates) artificially suppresses the value. It's important to note that, when analysing these data, exchange rates can often mask the underlying performance/underperformance.

• Due to the variation in prices of wines sold at auction (where a wine can go for a range of values) it is difficult to accurately pinpoint a fixed value for any wine. This means calculations on the same wine in 2003 and 2005 could be based on bottom or top estimates in each of these years, or indeed a spot value in between the bottom and top estimates – making a total of nine possible variations in calculating price differences. The value of the wine is therefore extremely dynamic.

• Two years is too short a period to assess the medium- to long-term potential of wine. However, it does prove useful in helping identify which price curve a wine is following (see table 2, right). This could be important in helping forecast future performance of the wine. If you look at the combination of age of the wine (youth, early maturity, maturity, late maturity, fading), its level of overall growth since release and its recent trend (2003-2005) it should be possible to identify which price curve the wine is following and at which point it is on that curve. This should only be an aid in buying/selling decisions and not a mantra.

• Harlan Estate has shown the best overall performance between 2003 and 2005. Grange 1998 (99 Parker points) and Opus 1999 and 2000 show an extremely flat performance. Mouton 1986 has shown its undervalue by recent increases, despite its relative maturity.

• There is no hard and fast rule on performance over the timeframe from 2003 to 2005. However, it does show (when compared to X-fold increases over release prices) that the increase in value often comes quite early (soon after release) in a wine's lifecycle.

• There are big variations in prices – not only across time but across auctions and merchants. Be aware of these variations as they can mean the difference between boom or bust.

MARK LANE is an IWC superjuror and *Wine International*'s auction and investment columnist

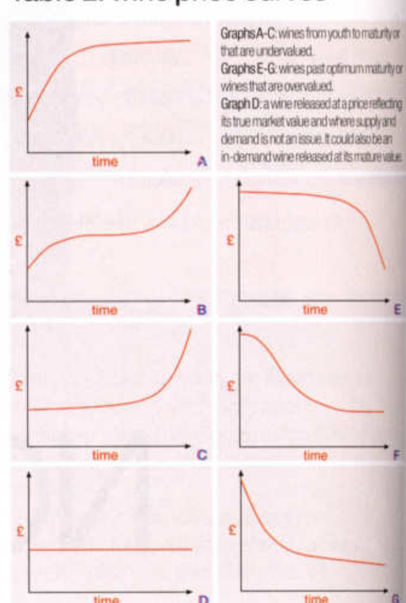
Table 1: changes to wine prices 2003-2005 (prices per case)

Wine	Year	Release	Mid/late 2003 spot price	Mid/late 2005 estimate	Change 2003-2005 *see key below	2005 top estimate X-fold increase over release price
Opus One	1990	£476	£915	£1,380-£2,100	strong rise	4.4
	1994	£366	£1,580	£1,700	static	4.6
	1999	£1,098	£1,100	£1,200-£1,300	static	1.2
	2000	£1,098	£1,100	£1,200-£1,300	static to rise	1.2
Harlan Estate	1990	£476	£2,086	£4,000	strong rise	8.4
	1994	£732	£3,580	£6,700	strong rise	9
	1999	£1,830	£2,013	£2,600	strong rise	1.4
Penfolds Grange	1983	£375	£1,548	£1,200-£1,500	decline	4
	1986	£400	£2,208	£2,300-£2,600	rise	6.5
	1990	£925	£2,304	£2,000	decline	2.2
	1998	£1,560	£2,150	£1,600-£2,000	decline to strong decline	1.3
Brane-Cantenac	1982	£95	£400	£360-£430	static	4.5
	1990	£100	£380	£395-£450	rise	4.5
Lynch-Bages	1982	£98	£1,550	£1,300-£1,500	decline	15
	1990	£142	£1,100	£1,000-£1,350	static to rise	9.5
Cheval Blanc	1982	£300	£5,300	£4,500-£5,000	decline	16.7
	1990	£370	£4,500	£4,000-£5,000	static	13.5
Margaux	1982	£260	£3,900	£3,600-£4,100	static	16
	1990	£420	£4,000	£4,000-£5,000	static to strong rise	12
Pétrus	1990	£1,000	£10,000	£11,000-£14,000	rise to strong rise	14
Mouton-R	1986	£400	£2,000	£2,700-£2,800	strong rise	7

Key to 2003-2005 change (above)

Strong decline	Decline	Static	Rise	Strong rise
-20%	-10 to -19%	+/-0-9%	10-19%	20%+

Table 2: wine price curves



Significant others

Does fame or curiosity in a wine – regardless of its taste – play a factor in its price? A trio of auction house wine experts give their views to MARK LANE on this subjective area

Mark Lane spoke with **Frank Martell**, auction director of Bonhams & Butterfields, Los Angeles, **John Kapon**, auction director at Acker Merrall & Condit in New York and **Serena Sutcliffe**, head of Sotheby's international wine department.

Are there vintages that owe their higher price due to the historical significance of the vintage rather than quality?

FM: The first vintages of Grange and others sell at huge premiums, despite being poor specimens. Early- to mid-1800s clarets occasionally pop up and are similarly marketable. Again, it is extremely unlikely that these wines are much fun to drink, but they are antiques and curiosities.

JK: Not really. Quality years are quality years and, while there are debates about nuances among them, no one can doubt the greatness of 1961 Bordeaux, for instance. When you get into obscure vintages that are 50 years and older, people will pay more than the quality might deserve out of curiosity.

SS: The higher price and demand of some vintages is almost 100% linked to quality. It so happens that 1900, 1945 and 2000 have both quality and significance going for them, but years such as 1961 and 1982 are famous purely for the quality factor.

Is there an example of wine or region that, due to the endorsement by a historical figure, has resulted in a higher price?

FM: Thomas Jefferson could be said to have 'made the market' for Pauillac (ie, Haut-Brion), but I don't believe it can be said about another figure or appellation since. Moving forward, it's less likely that we'll ever see that kind of impact because information is so readily available, critics are so active and the wine drinking population is so much more educated. It's widely known that Nicholas Cage has a Jayer habit, but this really has no bearing on the market. It will continue to be the quality and scarcity of the wine creating demand and price. The biggest example of celebrity impact on the demand and price for a wine can't be traced to any one person so much as a popular movement. Rap culture (to include artists such as 50 Cent) has embraced Louis Roederer's Cristal as the drink of success and excess, propelling this luxury commodity to new heights.

JK: The huge influence Robert Parker has had. For instance, he made the entire boutique Australian wine market over the past three to four years.

SS: I cannot think of any example of an AC that has become famous due to human endorsement. An appellation either has great wines or it doesn't. Obviously, you've got Winston Churchill and Pol Roger and maybe Bollinger and James Bond but the latter is what you call product placement. Wines are much more likely to increase in price and demand from the cellars of famous people or aristocratic families (see box). People love buying from an identified cellar as then, when they are serving the wines they have bought, they have a story to tell.

Do you know of any examples were wines have attracted much stronger interest due to their unusual provenance?

FM: It is most often not the story behind the wine as it is its condition that makes the biggest difference when measuring provenance. We had a spectacular collection of wines from Georges Roumier that set world record prices in May. They were laid down in the cellar three days after release and never moved again. Offered in volume they nearly doubled market value. Would they have sold for more if they had been pulled out of a shipwreck? Possibly, however the mitigating factor is not the ship, its the health of the wine. Bottles that are more likely to be exceptional when the cork is pulled will always command super premiums and this comes from the reputation for provenance of the consignor.

SS: You would have to cite the wines discovered at Schloss Falkenstein (December 2002) and the wonderful cellar of Thurn und Taxis. [Princess Gloria von Thurn und Taxis raised monies in a 'yard sale' in October 1993 to pay for taxes of $40 million owed after the death of her husband Prince Johannes – including selling some 75,000 bottles of wine.]

Has the 'cult of celebrity' spread into wine or has it been around for longer than we think?

FM: Celebrity has the ability to impact wine prices, but this should not be considered a rule. The real premiums are going to pay for wines that are more likely to present good drinking than others. A wine owned by Elvis is not likely to command any price if the wine inside isn't any good.

JK: It has been there ever since the classification of 1855 and the creation of the first growths; the whole Cali Cult Cab market has become a cult of celebrity, but just because a celebrity is making wine doesn't guarantee sales, unless its good.

MARK LANE is an IWC superjuror and has worked for the Auction Channel, News International and Sotheby's Institute for Fine and Decorative Art

In demand: early Grange vintages sell at huge premiums despite many being poor specimens

Great single-owner sales

October 2004 Zachy's Los Angeles – Graeme Revell Collection, 100% sold. Yquem 1847 sold for $71,675 (£38,561) – the highest price achieved by a bottle of white wine.

June 2004 Christie's New York – Doris Duke Collection, 100% sold. The largest US private wine cellar auctioned.

October 2003 Sotheby's New York – The Robert Paul Collection. The total of $2.2 million was well above the high estimate of $1.7 million.

May 2003 Christie's (international) – Château Latour sale. World records for almost all 64 estate-sourced vintages.

May 1997 Sotheby's London – Andrew Lloyd Webber Collection. Many sold at 50% to 100% above prevailing market rates.

Other significant collections: Daniel Ginsberg, March 2004 (Zachy's New York); John McDonnell, December 2003 (Zachy's New York), Harter Family Collection, November 2003 (Sotheby's New York); Albert Frère, June 2003 (Sotheby's London)

Taking a gamble on Port

Rarely does wine mature as well as vintage Port. But does that justify investment, given the static and often negative appreciation seen over the past decade? MARK LANE reports

Fine, collectible, historic, eminently ageable: Port, a throwback of the great British sense of class elegantly expressed through after-dinner ceremony. Almost stereotypically, *The Esquire Drink Book* (London, 1957) says it 'takes a Jeeves to open it', and goes on to instruct those budding butlers to 'serve it at baronial-hall temperature'.

Although not made in England, Port encapsulates, even mirrors, the fortune of the British Empire overseas from the 17th century. Indeed, these wines are quite capable of appearing at auction many generations after their debut. Rarely can a wine so effectively mark the passage of time. As they age into neo-antiquity, with the waxing of the years and the waning of supply, then, if anything, they should be prime candidacy for investment. So why, in these pages of the March 2004 issue, did Stephen Browett of Farr Vintners say: 'In the doldrums is vintage Port', also adding that 'prices have been static for old vintages and worse for younger ones'?

Looking overall at Port in broker or auction houses in the past decade, we can see that values are pegged very low for a world-class, frequently traded commodity. Appreciation in Port prices, in all but exceptional circumstances (the very finest Ports in the most outstanding of vintages such as Taylors 1992, Fonseca 1994 and Quinta do Noval Nacional), have not reflected Port's classic status. Taking into account the onward costs of buying and selling, taxes and inflation, it makes the reason to purchase on anything but altruistic grounds hard to justify.

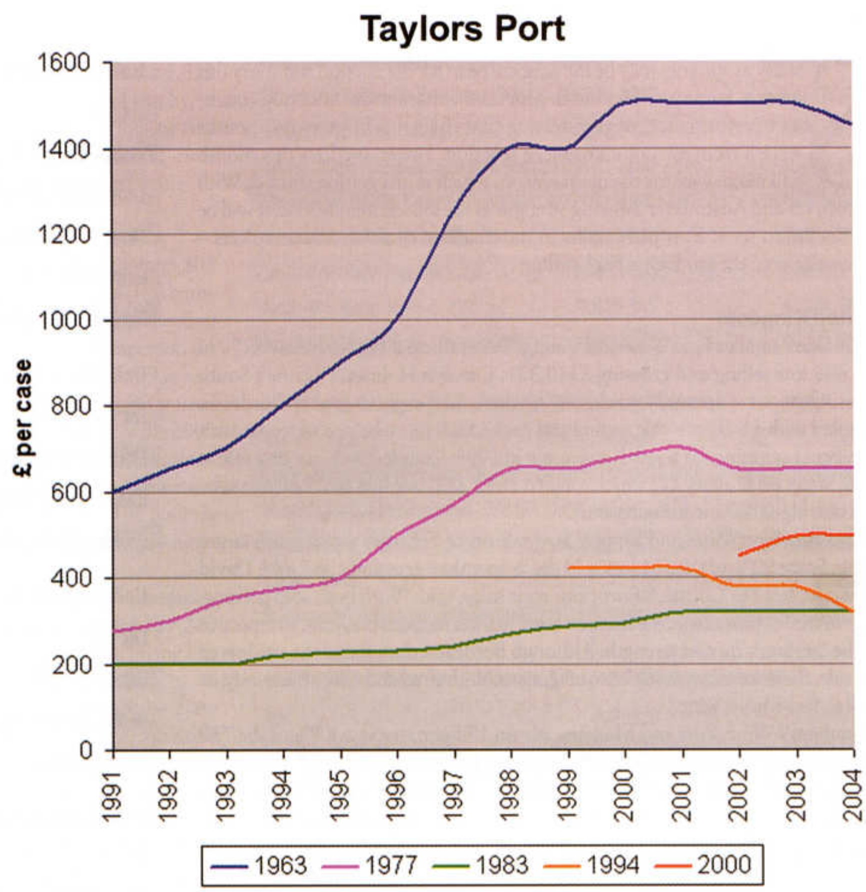
Looking at Taylors Vintage 2000, it has increased by a modest 10% – not a great amount considering the quality of the vintage and the desirability of the millennium label. Possibly the finest vintage in recent history, 1994, has actually dropped nearly 24% since release and so 'has been a quite dreadful investment' according to Browett; 1983, at £320, is very good value for a top wine that is 20 years old. But it has been at this price for the past three years.

GRAPH: Data courtesy of Farr Vintners

Tom Hudson from Farr Vintners sheds some more light on the dark days of Port:

Why has the market for vintage Port been so flat?

'To a large extent Port has gone out of fashion, whereas red wine has taken on a new lease of life. Port no longer fits into modern life – it is perceived as something which is "too strong".'



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When the market was buoyant for Port, what were the conditions that made buying it so popular?

'Port has always been associated with laying down long-term for the future because it takes so long to mature in bottle. It therefore makes a good gift for children or godchildren. But recently it has become less and less interesting as an investment: mature vintage Port is widely available at very cheap prices. However, some very highly scored collectors' wines break out of this mould, such as Taylors 1992, Fonseca 1994 and Quinta do Noval Nacional.'

Do you think Port's value has reached a plateau or do you think that it represents an opportunity, at some indeterminate time in the future, to be a canny purchase?

'Vintage Port, at its best, is a very fine wine and often represents excellent value when compared with prices of other (especially young) fine wines.'

What is your hierarchy of Port Houses?

'Nacional (Noval), Fonseca, Taylors, Graham, Noval, Dow, Warre, Cockburn, Croft, Gould Campbell, Smith Woodhouse. Then the rest.'

What is your hierarchy of vintages?

'It is difficult to be exact as there are so many variables, but the following are the outstanding vintages (in date order): 1908, 1927, 1945, 1955, 1963, 1970, 1977, 1985 and 1994.'

The X-factor marks the spot

Buying great wines in great years is always sensible advice, but MARK LANE says many lower-rated wines outperform the *premier crus*, and can reap dividends for the discerning investor

Expert marketplace commentators sensibly recommend buying top wines in top years: 'Stick to the *premier cru*, the very top Saint-Emilions or Pomerols and you can't go wrong.' But for those not lucky or wealthy enough to grab initial allocations, spectacular investment performance seems to remain the preserve of the few.

Cheval Blanc is one of the most in vogue vinous values. It is among the top performers, outpricing the first growths in 1982, 1990 and 2000, with only the top Right-Bankers seeing then raising the stakes. A heady mix of Parker praise (98/99 points), dearth of supply, and fashion has supported a 17.5-fold rise for 1982 with the 1990 in hot pursuit.

Cheval Blanc	*En primeur*	Mid-2003
1982	£300	£5,300
1990	£370	£4,500

A similar, albeit slightly less stellar, story is reflected in the first growths. Château Margaux illustrates all that is good about being blue-chip: a world recognised brand, excellent pedigree, rigorous consistency and paltry supply all prompting a security in value and longer-term performance. The 15-fold return (an x-factor of 15) for the 1982 and a 9.5 x-factor for the 1990 reinforces why investment advisers and brokers point to the *premier clique*.

Margaux	*En primeur*	Mid-2003
1982	£260	£3,900
1990	£420	£4,000

But what's life like outside the Premiership? For those who can't quite afford the top players then adding wine to our investment portfolio may seem out of reach. Common sense dictates looking outside the top wines – most notably the second growths. But good judgement, detailed research and steady nerves are needed. In-depth study can identify the real super-seconds in investment terms. Remember, with wine, as in life, all things are not made equal. Don't just choose any *deuxième cru*. Take Brane-Cantenac, a historically large and important growth. But humble Parker ratings for the 1982 (76 points) and 1990 (86 points) and significant production levels have merited returns of little more than four-fold. Even in 2000 a passable Parker pegging of 92 points did little to shift sentiment in its favour.

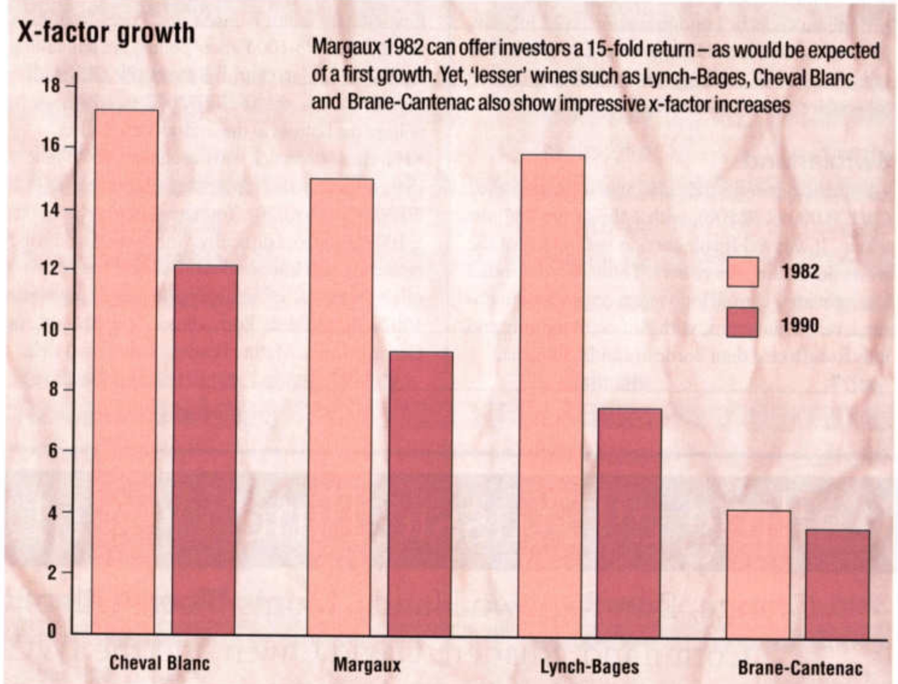
Brane-Cantenac	*En primeur*	Mid-2003
1982	£95	£400
1990	£100	£380

So, what about wines at the bottom of the classification table? Are there any giant-killers? Lynch-Bages has consistently performed above its lowly status over the past two decades. Mid-90s Parker scores mean nothing when set against the top wines. But its near 16-fold growth does. Matching, even bettering, several *premier crus* along with a dozen other more highly classified wines (1982: Beychevelle ten-fold; Léoville-Barton nine-fold; Léoville-Poyferré 12-fold, Giscours five-fold; Ducru-Beaucaillou ten-fold). I expect the 1990 x-factor will increase with this and other performing wines and so close the gap with the 1982s as time advances. Greater supply, less restricted allocations and lower prices means better availability than the top investment darlings.

Lynch-Bages	*En primeur*	Mid-2003
1982	£98	£1,550
1990	£142	£1,100

So there is life beyond the Premiership; there are some top players in the classification sticks and, like a good talent scout, a careful search can reap dividends. Prices are aggregate average prices drawn from a selection of brokers and merchants showing a significant price spread between +/- 5% to 30% across the board.

MARK LANE is an International Wine Challenge superjuror and has worked for The Auction Channel, *News International* and Sotheby's Institute for Fine and Decorative Art.



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